PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pastures Revolving Fund, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and accumulated operating surplus, and statement of changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pasture Revolving Fund as at March 31, 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 25, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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PASTURES REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2016	2015
Financial Assets		
Accounts receivable	$ 141,649	$ 150,638
Liabilities		
Accounts payable	3,077,606	1,486,246
Deferred revenue	972,490	901,106
Accumulated net expenditure (Statement 3)	505,371	2,714,748
	4,555,467	5,102,100
Net Debt	(4,413,818)	(4,951,462)
Non-Financial Assets		
Inventory held for consumption	189,335	276,695
Tangible capital assets (Note 6)	5,508,276	5,370,057
	5,697,611	5,646,752
Accumulated Operating Surplus (Statement 2)	$ 1,283,793	$ 695,290

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget 2015-16 (Note 7)	Actual 2016	Actual 2015
REVENUES			
Grazing	$ 8,314,958	$ 8,775,751	$ 8,375,600
Petroleum and gas leases	2,100,000	2,002,637	2,002,973
Bull wintering	111,508	132,303	124,588
House rent	23,285	24,300	24,279
Seismic and easement	56,000	14,648	7,907
Hay Sales	-	16,155	16,580
Gain on disposal of tangible capital assets	-	132,401	-
Other	4,500	11,829	10,227
	10,610,251	11,110,024	10,562,154
EXPENSES			
Salaries	3,884,842	3,661,770	3,704,120
Repairs and improvements	1,274,267	1,011,003	1,505,198
Grants in lieu of taxes	976,734	1,039,832	1,005,711
Seed and forage	218,885	204,038	207,532
Rent of equipment, horses and other	287,335	258,254	269,039
Amortization	612,426	612,074	586,675
Travel	539,430	453,723	508,882
Small tools, equipment and supplies	307,527	222,470	233,744
Computer services	184,000	159,285	146,040
Utilities	149,980	153,795	174,354
Veterinary fees and supplies	83,888	86,120	86,661
Telephone and communications	82,330	57,219	51,328
Bad debt expense	-	1,357	(12,734)
Freight and postage	21,350	14,864	17,941
Advertising and printing	1,535	2,129	195
Loss on disposal of tangible capital assets	-	-	10,638
Other	71,449	83,588	62,498
	8,695,978	8,021,521	8,557,822
Operating Surplus (Statement 3)	$ 1,914,273	3,088,503	2,004,332
Accumulated Operating Surplus/(Deficit), Beginning of Year		695,290	(9,042)
Transfer to General Revenue Fund (Note 5)		(2,500,000)	(1,300,000)
Accumulated Operating Surplus, End of Year - to Statement 1		$ 1,283,793	$ 695,290

(See accompanying notes to the financial statements)

Statement 3

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	Budget 2015-16 (Note 7)	Actual 2016	Actual 2015
Financing Required for (Provided by) Operating Activities:			
Operating Surplus (Statement 2)	$ 1,914,273	$ 3,088,503	$ 2,004,332
Items not affecting cash:			
Amortization	612,426	612,074	586,675
Loss (gain) on disposal of tangible capital assets	-	(132,401)	10,638
Net (increase) decrease in working capital items related to operations (Note 10)	-	1,759,093	(1,789,319)
	2,526,699	5,327,269	812,326
Financing Required for (Provided by) Investing Activities:			
Purchase of tangible capital assets	(983,100)	(762,196)	(828,060)
Proceeds from sale of tangible capital assets	-	144,304	1,849
	(983,100)	(617,892)	(826,211)
Financing Required for (Provided by) Financing Activities:			
Transfer to General Revenue Fund (Note 5)	(2,100,000)	(2,500,000)	(1,300,000)
	(556,401)	2,209,377	(1,313,885)
Accumulated Net Expenditure, Beginning of Year	(2,714,748)	(2,714,748)	(1,400,863)
Accumulated net expenditure, End of Year – to Statement 1	$ (3,271,149)	$ (505,371)	$ (2,714,748)

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Management's Responsibility

The Revolving Fund's management is responsible for the reliability and integrity of these financial statements. In discharging its responsibility for the reliability and integrity of these financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

3. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as a government component. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. A Statement of Remeasurement Gains and Losses has not been prepared as the fund does not have any remeasurement gains or losses.

The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Recovery (Expenditure)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net recovery (expenditure) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Inventories Held for Consumption

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the Statement of Operations and Accumulated Operating Surplus. Amortization of all tangible capital assets is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	5%
Buildings	5%
Equipment and Vehicles	10%
Office Equipment	10%

Tangible capital assets that are acquired or disposed of by the Revolving Fund during the year are amortized at 100% of the above rates in the year of acquisition and are not amortized in the year of disposal.

The threshold limits for capitalizing tangible capital assets are as follows:

Buildings	$ 5,000
Vehicles	5,000
Equipment	1,000
Office equipment	1,000
Land improvements	5,000

e) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Petroleum and gas leases revenue is recognized on a month start basis and billed in advance for the year.

f) Deferred Revenue

Deferred revenue consists of petroleum and gas lease revenue that will be earned in future periods and overpayments from patrons that will be applied to future fees. These amounts are included in income when the revenue is earned.

g) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

h) Non-financial assets
Tangible capital assets and inventory held for consumption are accounted for as assets by the Revolving Fund because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the Revolving Fund unless they are sold.

4. Authorized Financing

Subsection 7 (12) of *The Pastures Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

5. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The accumulated surplus (deficit) limit for the Pastures Revolving Fund is $700,000.

The Revolving Fund paid excess surplus of $2,500,000 to the General Revenue Fund in 2015-16. At March 31, 2016, the Revolving Fund had an accumulated operating surplus of $1,283,793 and management will present a plan to Treasury board to address the excess surplus of $583,793 in 2016-17.

6. Tangible Capital Assets (TCA)

	March 31, 2016						March 31, 2015
	Buildings	Land	Land Improvements	Office Equipment	Equipment & Vehicles	Total	Total
Opening Cost	$824,869	$19,000	$6,502,355	$43,663	$3,850,543	$11,240,430	$10,479,892
Additions During the Year	14,277	-	206,769	-	541,150	762,196	828,060
Disposals	(10,328)	-	(76,912)	-	(24,593)	(111,833)	(67,522)
Closing Cost	$828,818	$19,000	$6,632,212	$43,663	$4,367,100	$11,890,793	$11,240,430
Opening Accumulated Amortization	$397,474	$ -	$2,680,883	$43,663	$2,748,353	$5,870,373	$5,338,734
Annual Amortization	39,486	-	285,913	-	286,675,	612,074	586,675
Disposals	(8,641)	-	(71,900)	-	(19,389)	(99,930)	(55,036)
Closing Accumulated Amortization	$428,319	$ -	$2,894,896	$43,663	$3,015,639	$6,382,517	$5,870,373
Ending Net Book Value of TCA	$400,499	$19,000	$3,737,316	$ -	$1,351,461	$5,508,276	$5,370,057

7. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2016	2015
Financial statement category:		
Expenses	$ 541,510	$ 557,422
Accounts payable	2,500,000	1,300,000

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Financial Instrument Risks

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $245,192 at March 31, 2016 with an allowance for doubtful accounts of $103,542. Some of the receivables were received shortly after year end reducing the credit risk.

The Revolving fund has no significant exposure to liquidity risk or interest rate risk.

10. Net Change in Working Capital Items Related to Operations

	2016	2015
Working capital changes:		
(Increase) decrease in accounts receivable	8,989	128,828
(Increase) decrease in inventories held for consumption	87,360	50,183
Increase (decrease) in accounts payable	1,591,360	(1,925,668)
Increase (decrease) in unearned revenue	71,384	(42,661)
Total increase (decrease) in working capital	**$ 1,759,093**	**$ (1,789,318)**

11. Amount Reported in Public Accounts

The accumulated net expenditure of the Revolving Fund reported in the Public Accounts is the accumulated net expenditure of the Revolving Fund adjusted for the following difference.

	2016	2015
Accumulated net expenditure	$ 505,371	$2,714,748
Adjustment to increase accumulated net expenditure in Public Accounts	$ 679,844	$ 71,739
Accumulated net expenditure reported in Public Accounts	**$ 1,185,215**	**$2,786,487**